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VILLAGE OF EAST HEDGE

East Hedge, Louisiana

General Purpose Financial Statements

With Independent Auditor's Report

As of and For the Year Ended

June 30, 1998

With Supplemental Information Schedules

Auditor's Certificate of State Law: This report is a public document. A copy of this report and this certificate shall be filed in the public records of the State of Louisiana. The Auditor's Report and this certificate shall be made available to the public. The Auditor's Report and this certificate shall be made available to the public. The Auditor's Report and this certificate shall be made available to the public.

Attest: Date: 4/11/11

VILLAGE OF EAST HODGE
East Hodge, Louisiana

General Purpose Financial Statements
With Independent Auditor's Report
As of and For the Year Ended
June 30, 1998
With Supplemental Information Schedules

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M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

**MAYOR AND BOARD
OF ALDERMEN
VILLAGE OF EAST HODGE
East Hodge, Louisiana**

I have audited the accompanying general purpose financial statements of the Village of East Hodge as of June 30, 1998, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the management of the Village of East Hodge. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Village of East Hodge, as of June 30, 1998, and the results of its operations and the cash flows of its proprietary fund type for the year then ended, in conformity with generally accepted accounting principles.

MAYOR AND BOARD
OF ALDERMEN
VILLAGE OF EAST HODGE
East Hodge, Louisiana
Independent Auditor's Report
June 28, 1958

My audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the Village of East Hodge. The accompanying schedule of expenditures of Federal awards is presented for the purpose of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 17, 1958, on my consideration of the Village of East Hodge's internal control over financial reporting, and on my tests of the village's compliance with certain provisions of laws, regulations, contracts, and grants.



Arthur Jones
Caldwell, Louisiana
December 17, 1958

GENERAL PURPOSE FINANCIAL STATEMENTS

VILLAGE OF EAST BROOK
East Brook, Indiana
ALL FUND TYPES AND ACCOUNT GROUP

Combined Balance Sheet, June 30, 1998

	GOVERNMENTAL FUND TYPE		DISCRETIONARY FUND TYPE - WATER AND SEWER ENTERPRISE	ACCOUNT GROUP - GENERAL FUND	TOTAL (MEMORANDUM ONLY)
	GENERAL FUND	CAPITAL PROJECTS FUND	FUND	ACCOUNT	
ASSETS					
Current assets:					
Cash	\$1,993		\$2,893		\$4,786
Investments			4,993		4,993
Receivables (net of allowance for doubtful accounts)	728	\$24,295	3,893		29,216
Total current assets	<u>2,721</u>	<u>\$24,295</u>	<u>11,679</u>	<u>NONE</u>	<u>38,691</u>
Restricted assets - cash			752		752
Water system plant and equipment (net of accumulated depreciation)			171,841		171,841
Land, buildings, and equipment				\$130,963	130,963
TOTAL ASSETS	<u>\$2,721</u>	<u>\$24,295</u>	<u>\$181,886</u>	<u>\$130,963</u>	<u>\$338,765</u>
LIABILITIES AND FUND EQUITY					
Liabilities:					
Current liabilities:					
Accounts payable	\$483	\$31,835	539		\$33,857
Payroll taxes payable			30		30
Retainage payable		\$1,237			\$1,237
Customer water deposits			4,886		4,886
Total current liabilities	<u>483</u>	<u>\$33,072</u>	<u>6,455</u>	<u>NONE</u>	<u>44,011</u>
Long-term liabilities - water bonds payable			78,890		78,890
Total Liabilities	<u>483</u>	<u>\$33,072</u>	<u>85,345</u>	<u>NONE</u>	<u>123,911</u>
Fund Equity:					
Investment in general fund assets				\$130,963	130,963
Common fund capital			\$1,137		\$1,137
Retained earnings:					
Reserved for bonds payable			752		752
Unreserved - undesignated			14,892		14,892
Total retained earnings	<u>NONE</u>	<u>NONE</u>	<u>15,644</u>	<u>NONE</u>	<u>15,644</u>
Fund balance - unreserved - undesignated	<u>2,238</u>				2,238
Total Fund Equity	<u>2,238</u>	<u>NONE</u>	<u>161,011</u>	<u>\$130,963</u>	<u>\$314,212</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$2,721</u>	<u>\$24,295</u>	<u>\$181,886</u>	<u>\$130,963</u>	<u>\$338,765</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF EAST HODGE
 East Hodge, Louisiana
GOVERNMENTAL FUND TYPE

Statement B

Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 For the Year Ended June 30, 1998

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
REVENUES			
Taxes:			
Ad valorem	\$1,550		\$1,550
Sales	1,817		1,817
Franchise	3,631		3,631
Occupational licenses	2,084		2,084
Intergovernmental revenues:			
Federal grants		\$514,547	514,547
State funds	1,307	11,480	12,787
Traffic fines	195		195
Use of money and property - interest earnings	384		384
Other revenues	863		863
Total revenues	<u>12,811</u>	<u>526,027</u>	<u>538,838</u>
EXPENDITURES			
General government - (direct):			
Personal services and related benefits	3,540		3,540
Operating services	6,331	129	6,460
Materials and supplies	982		982
Debt service	178		178
Facilities acquisition and construction	<u>27,531</u>	<u>342,657</u>	<u>370,188</u>
Total expenditures	<u>38,562</u>	<u>342,786</u>	<u>381,348</u>

(Continued)

VILLAGE OF EAST HOOGE
 East Hooge, Louisiana
 GOVERNMENTAL FUND TYPE
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances, etc.

	GENERAL FUNDS	CAPITAL PROJECTS FUNDS	TOTAL PROGRAMS (200.5)
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(\$23,751)	(\$16,838)	(\$40,589)
OTHER FINANCING SOURCES (Uses)			
Sale of fixed assets	1,000		1,000
Operating transfers in	800	1,141	1,941
Operating transfers out	(3,000)		(3,000)
Total other financing sources (uses)	<u>(1,200)</u>	<u>1,141</u>	<u>(959)</u>
EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(24,951)	(15,698)	(40,652)
FUND BALANCES AT BEGINNING OF YEAR, Restated	<u>27,774</u>	<u>15,698</u>	<u>43,472</u>
FUND BALANCES AT END OF YEAR	<u>\$2,823</u>	<u>NONE</u>	<u>\$2,823</u>

(Continued)

The accompanying notes are an integral part of this statement.

VILLAGE OF EAST HEDGE
 East Hedge, Louisiana
GOVERNMENTAL FUND TYPE - GENERAL FUND

Statement of Revenues, Expenditures,
 and Changes in Fund Balances - Budget
 (GAAP Basis) and Actual
 For the Year Ended June 30, 1998

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE PAYABLES (DEFICIT/SURPLUS)</u>
REVENUES			
Taxes:			
Ad valorem	\$2,380	\$1,330	(\$950)
Sales		1,817	1,817
Franchise	3,680	3,621	(59)
Occupational licenses	3,731	3,084	(647)
Intergovernmental- state funds		1,797	1,797
Traffic fines	550	159	(391)
Use of money and property - interest earnings		784	784
Other revenues		863	863
Total revenues	<u>8,371</u>	<u>12,815</u>	<u>4,244</u>
EXPENDITURES			
General government - current:			
Personal services and related benefits		3,548	(3,548)
Operating services	414	6,323	(5,909)
Materials and supplies		982	(982)
Public works	308		308
Debt service		178	(178)
Facilities acquisition and construction		<u>25,731</u>	<u>(25,731)</u>
Total expenditures	<u>714</u>	<u>36,662</u>	<u>(35,648)</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	7,657	(23,751)	(31,408)
OTHER FINANCING SOURCES (Uses)			
Sale of fixed assets		1,000	1,000
Operating transfers in		800	800
Operating transfers out	(4,000)	(3,025)	975
Total other financing sources (uses)	<u>(4,000)</u>	<u>(1,225)</u>	<u>2,775</u>

(Continued)

Statement C

VILLAGE OF EAST HOGGE
 East Hogge, Louisiana
 GOVERNMENTAL FUND TYPE - GENERAL FUND
 Statement of Revenues, Expenditures,
 and Changes in Fund Balances - Budget
 (GAAP Basis) and Actual, etc.

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE</u> <u>(UNFAVORABLE)</u>
EXCESS (deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$0.697	(\$24,594)	(\$23,811)
FUND BALANCES AT BEGINNING OF YEAR, Restated	<u>20,885</u>	<u>27,234</u>	<u>6,388</u>
FUND BALANCES AT END OF YEAR	<u>\$24,545</u>	<u>\$2,380</u>	<u>(\$22,223)</u>

(Continued)

The accompanying notes are an integral part of this statement.

VILLAGE OF EAST HEDGE
 East Hedge, Louisiana
PROPRIETARY FUND TYPE -
WATER AND SEWER ENTERPRISE FUND

Statement of Revenues, Expenses,
 and Changes in Retained Earnings
 For the Year Ended June 30, 1998

OPERATING REVENUES	
Water and sewer fees	<u>\$28,883</u>
OPERATING EXPENSES	
Salaries	3,723
Payroll taxes	142
Utilities	4,164
Repairs and maintenance	320
Insurance	4,205
Office supplies	150
Professional services	1,000
Fees	2,386
Labor	1,977
Sales tax	824
Bad debt expense	650
Depreciation	17,787
Other operating expenses	686
Total operating expenses	<u>38,649</u>
OPERATING INCOME (Loss)	<u>(8,766)</u>
NON-OPERATING REVENUES (Expenses)	
Interest income	248
Operating transfers in	1,883
Operating transfers out	(800)
Interest expense	<u>(4,883)</u>
Net non-operating revenues (expenses)	<u>(2,452)</u>
NET INCOME (Loss)	<u>(11,218)</u>
RETAINED EARNINGS AT BEGINNING OF YEAR, Restated	<u>21,467</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$10,249</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF EAST HODGE
East Hodge, Louisiana
PROPRIETARY FUND TYPE -
WATER AND SEWER ENTERPRISE FUND

Statement of Cash Flows
 For the Year Ended June 30, 1998

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Income (Loss)	<u>(58,780)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	17,707
Increase in accounts receivable	(3,015)
Increase in customer deposits	730
Increase in taxes payable	30
Increase in accounts payable	360
Total adjustments	<u>15,822</u>
Net cash provided by operating activities	<u>7,037</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal on long-term debt	(4,000)
Interest on long-term debt	(4,800)
Increase in investments	(248)
Operating transfers in	1,862
Operating transfers out	(800)
Net cash used by capital and related financing activities	<u>(7,978)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earnings	<u>248</u>
NET DECREASE IN CASH	(891)
CASH AT BEGINNING OF YEAR	<u>3,818</u>
CASH AT END OF YEAR	<u>\$3,127</u>
NON-CASH CAPITAL FINANCING ACTIVITIES	
Capital assets contributed by Life Station Capital Projects Fund	<u>\$88,112</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF EAST HEDGE
East Hedge, Louisiana

Notes to the Financial Statements
As of and for the Year Ended June 30, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of East Hedge operates under a Mayor-Board of Aldermen form of government. The mayor and aldermen serve four-year terms which expire on December 31, 1998. The village has a part-time clerk and Chief of Police.

A. BASIS OF PRESENTATION

The accompanying general purpose financial statements of the Village of East Hedge have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for established governmental accounting and financial reporting principles.

B. REPORTING ENTITY

As the municipal governing authority, for reporting purposes, the Village of East Hedge is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the village), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Village of East Hedge for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body,
and

VILLAGE OF EAST HODGE

East Hodge, Louisiana

Notes to the Financial Statements (Continued)

- a. The ability of the village to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the village.
2. Organizations for which the village does not appoint a voting majority but are fiscally dependent on the village.
 3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the village has determined that there are no component units that should be considered as part of the village reporting entity.

C. FUND ACCOUNTING

The village uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities (general fixed assets and general long-term debt) that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Governmental Funds

Governmental funds are used to account for all or most of the village's general activities, including the collection and disbursement of specific or legally restricted monies, and the acquisition or construction of general

VILLAGE OF EAST THORPE

East Thorse, Louisiana

Notes to the Financial Statements (Continued)

fixed assets. Governmental funds include:

General Fund

The General Fund is the general operating fund of the village. It accounts for all financial resources, except those required to be accounted for in other funds.

Capital Projects Funds

The Capital Projects Funds account for state and federal grants that are used to construct or acquire capital assets.

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to assist financial administrators. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary funds include:

Water and Sewer Enterprise Fund

The Water and Sewer Enterprise Fund is used to account for the operations of the village's water and sewer systems. The use of enterprise funds is appropriate where the intent of the village is that the net expenses, including depreciation of providing service to the general public on a continuing basis be financed or recovered primarily through user charges.

B. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The modified accrual

VILLAGE OF EAST HODGE

East Hodge, Louisiana

Notes to the Financial Statements (Continued)

basis of accounting is used for reporting all governmental fund types. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the village and billed to taxpayers in November. Billed taxes become delinquent on January 1 of the following year. The taxes are normally collected in December, January and February of the current year.

Sales taxes are recognized as revenue when collected by the Jackson Parish Sales Tax Collection Agency.

Franchise taxes and intergovernmental revenues are recorded when the village is entitled to the funds.

Interest income on bank deposits is recorded when the interest has been earned and the amount is determinable.

Substantially all other revenues are recorded when they are received by the village.

Based on the above criteria, ad valorem taxes, sales taxes, franchise taxes, and intergovernmental revenues have been treated as susceptible to accrual.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Other Financing Sources (Uses)

Sales of fixed assets and transfers between funds which are not expected to be repaid are accounted for as other financing sources (uses) and are recorded when the underlying events occur.

The Water and Sewer Enterprise Fund is accounted for on a flow of economic resources measurement basis and a determination of net income and capital maintenance.

VILLAGE OF EAST HODGE
East Hodge, Louisiana
Notes to the Financial Statements (Continued)

With this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the balance sheet. The Water and Sewer Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Water and sewer fees are recognized in the period the service is provided to the customer. Salaries and other expenses are recognized when incurred.

E. BUDGET PRACTICES

A proposed budget for the General Fund, prepared on the modified accrual basis of accounting, is presented to the board of aldermen each year. The budget is legally adopted by the board of aldermen and amended during the year as necessary. Budgets are established and controlled by the board at the object level of expenditure. Appropriations lapse at year-end and must be reappropriated for the following year to be expended.

Formal budgetary integration is not employed as a management control device during the year. Budgeted amounts included in the accompanying financial statements include the original adopted budget amounts. There were no budget amendments during the year ended June 30, 1998.

F. CASH

Cash includes amounts in demand deposits. Under state law, the village may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

G. INVESTMENTS

Investments are limited by Louisiana Revised Statute (R.S.) 33:2855. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. At June 30, 1998, the village's investments consist of nonnegotiable certificates of deposits with original maturities that exceed 90 days that are reported in the accompanying financial statements at cost. The bank balances of the deposits are fully secured from risk by federal deposit insurance.

VILLAGE OF EAST HODGE

East Hodge, Louisiana

Notes to the Financial Statements (Continued)

II. FIXED ASSETS

Fixed assets of governmental funds are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) in the general fixed assets account group. Public domain or infrastructure general fixed assets consisting of roads, sidewalks, bridges, parking lots, and drainage systems are not capitalized, as these assets are immovable and of value only to the village. All purchased fixed assets are valued at cost where historical records are available and at estimated cost where no historical records are available. Approximately 98 per cent of fixed assets are valued at actual cost, while the remaining 2 per cent are valued at estimated cost based on the actual cost of like items. Donated fixed assets are valued at their estimated fair market value on the date received. No depreciation has been provided on general fixed assets.

The fixed assets used in the proprietary fund type operations are included on the balance sheet of the fund net of accumulated depreciation. Interest costs incurred during construction are not capitalized. Depreciation of all exhaustible fixed assets used by the proprietary fund type operations is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives ranging from 5 to 40 years.

I. LONG-TERM DEBT

Long-term liabilities expected to be financed from enterprise fund operations are accounted for in the enterprise fund.

J. RESTRICTED ASSETS

Certain resources of the Water and Sewer Enterprise Fund are aside for the repayment of revenue bonds are classified as restricted assets on the balance sheet because their use is limited.

K. CONTRIBUTED CAPITAL

Federal grants that are restricted for the acquisition or construction of capital assets are recorded as contributed capital. Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired from such contributions. This depreciation is charged to the contributed capital account and is reflected as an

VILLAGE OF EAST HEDGE
East Hedge, Louisiana
Notes to the Financial Statements (Continued)

adjustment to net income. No depreciation expense was recognized on construction in progress financed from federal grant revenues for the year ended June 30, 1998.

L. INTERFUND TRANSACTIONS

All interfund transactions, except quasi-external transactions and reimbursements, are reported as operating transfers.

**M. TOTAL COLUMNS ON THE
COMBINED STATEMENTS**

Total columns on the combined statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position nor results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. CASH

At June 30, 1998, the village has demand deposits (bank balances) totaling \$3,120. These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. Deposit balances (bank balances) at June 30, 1998, total \$6,500, and are fully secured by federal deposit insurance.

3. BUDGETED EXPENDITURES

For the year ended June 30, 1998, the General Fund's actual expenditures and other uses exceeded budgeted expenditures and other uses by \$34,651 or 135%.

4. LEVIED TAXES

For the year ended June 30, 1998, the village levied 6.35 mills on property with a taxable value of \$283,680, for general operating purposes.

VILLAGE OF EAST HODGE

East Hodge, Louisiana

Notes to the Financial Statements (Continued)

5. RECEIVABLES

The following is a summary of receivables at June 30, 1998:

	General Fund	Capital Projects Funds	Water and Sewer Enterprise Fund	Total
Franchise fees	\$719			\$719
Intergovernmental revenue		\$54,380		54,380
Accounts Allowance for doubtful accounts			\$5,745 (650)	5,745 (650)
Total	\$719	\$54,380	\$5,095	\$60,214

6. FIXED ASSETS

The following presents changes in general fixed assets for the year ended June 30, 1998:

	Land and Buildings	Improvements Other Than Buildings	Equipment	Total
Balance, July 1, 1997, corrected	\$7,157	\$6981	\$7,752	\$14,889
Additions	133,906	\$191,709	174,210	499,825
Retirements	(4,157)			(4,157)
Balance, June 30, 1998	\$126,906	\$198,709	\$181,962	\$507,577

Included in current year additions, is property for which expenditures were incurred during the year ended June 30, 1997, in the amount of \$21,960. This amount was not reported in general fixed assets at June 30, 1997 in the prior year financial statements. General fixed assets at June 30, 1997, as reported in the prior year financial statements incorrectly included infrastructure fixed assets in the amount of \$96,213. General fixed assets at July 1, 1997, have been restated to exclude this amount.

A summary of proprietary fixed type property, plant, and equipment at June 30, 1998, follows:

	Net Book Value	Accumulated Depreciation	Net Book Value
Water system	\$125,210	(502,371)	\$19,839

VILLAGE OF EAST HODGE
 East Hodge, Louisiana
 Notes to the Financial Statements (Continued)

	<u>Book</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Sewerage system	\$328,267	(262,632)	\$65,635
Construction in progress	91,117	NONE	91,117
Total	<u>\$419,384</u>	<u>(262,632)</u>	<u>\$156,752</u>

7. PENSION PLAN

The employees of the village are members of the Social Security System. In addition to the employee contributions withheld at 7.65 per cent of gross salary, the village contributes an equal amount to the Social Security System. The village does not guarantee the benefits granted by the Social Security System.

8. REVENUE BONDS PAYABLE

The liability for revenue bonds at June 30, 1968 consists of Water and Sewer System Revenue Bonds sold by the village in 1971 in the amount of \$125,000 to the United States Department of Agriculture, Farmers Home Administration, under the Water and Waste Disposal System for Rural Communities Loan Program (CFDA 80-418) to construct the water and sewer system. The bonds were subsequently sold to GMAC Commercial Mortgage Corporation. The bonds bear interest at 6 per cent annually. Interest payments are due March 1 and September 1 and principal payments are due September 1 through September 1, 2011 and are made solely from revenues derived from operation of the water and sewer systems.

The following is a summary of revenue bonds payable transactions for the year ended June 30, 1968:

Revenue bonds payable at July 1, 1967	\$82,000
Additions	
Retirements	<u>(4,000)</u>
Revenue bonds payable at June 30, 1968	<u>\$78,000</u>

9. CONTRIBUTED CAPITAL

During 1968, the village received a grant totaling \$100,000 from the United States Department of Housing and Urban Development to finance 100 per cent of sewer system improvements. The grant

VILLAGE OF EAST HEDGE

East Hedge, Louisiana

Notes to the Financial Statements (Continued)

revenues and expenditures are accounted for in the 540 Station Capital Projects Fund. However, expenditures totaling \$81,117 incurred as of June 30, 1998, are reported as construction in progress and contributed capital in the Water and Sewer System Enterprise Fund.

10. RESERVED/RETAINED EARNINGS

The bond covenants for the 1971 Water and Sewer System Revenue Bonds discussed in note 8 above, require the village to establish the following reserve accounts:

- A. A "Revenue Bond Fund". The village must transfer into this fund, each month, one-twelfth of the principal and one-sixth of the interest due on the next principal and interest payment date. This fund is used to pay bond principal and interest as they become due.
- B. A "Revenue Bond Reserve Fund". The village must transfer into this fund, each month, an amount equal to 10 per cent of the amount to be paid into the Revenue Bond Fund each month until \$7,500 has been accumulated therein. Such amounts may be used only for the payment of maturing bonds and interest for which there would otherwise be default.
- C. A "Replacement and Extension Fund". The village must transfer \$30 into this fund each month until \$1,800 has been accumulated therein. The deposits in this fund may be used for annual or extraordinary maintenance, repairs, replacements, and extensions and for the cost of improvements to the system. Money in this fund may also be used to pay principal and interest on bonds falling due at any time there is not sufficient funds in the other reserve funds.

The village has not funded the above funds in the manner prescribed by the bond issue. At June 30, 1998, the village has \$352 in restricted accounts to meet reserve requirements. No deposits were made to the Revenue Bond Reserve and Replacement and Extension funds during the year ended June 30, 1998.

11. RESTATED FUND BALANCES/RETAINED EARNINGS

Fund balances/retained earnings at June 30, 1997, as reported in the prior year financial statements have been restated as follows:

	General Fund	Building Fund Capital Projects Fund	Water and Sewer Enterprise Fund
Fund balance/retained earnings at June 30, 1997, as previously reported	\$1,894	NONE	\$37,578
Cash accounts reported in incorrect fund	(851)		651
Cash account understated (overstated)		\$19,683	(1,683)
Investments understated and reported in incorrect fund	20,111		4,753
Customer meter deposits reported in incorrect fund	5,296		(5,296)
Accounts receivable understated	657		3,680
Accounts payable understated	(35)		(539)
Revenue bonds payable understated			(10,275)
	<u> </u>	<u> </u>	<u> </u>
Fund balance/retained earnings at July 1, 1997, restated	<u>\$27,274</u>	<u>\$19,683</u>	<u>\$27,463</u>

12. LITIGATION AND CLAIMS

The village is not involved in any litigation at June 30, 1998, nor is it aware of any unasserted claims. The village maintains commercial insurance to provide protection against losses resulting from the damage or destruction of property or liability claims against the village. There were no significant reductions in insurance coverage during the year ended June 30, 1998. The village incurred costs totaling \$50 resulting from a claim during the year ended June 30, 1998.

13. SUBSEQUENT EVENT

The Village of East Hodge adopted a resolution on September 8, 1998, declaring its intention to issue not exceeding \$80,000 of Sewer Revenue Bonds, the proceeds of which to be used for the purpose of financing a portion of the cost of making improvements to the village sewerage system. The bonds will be secured by the income and revenues derived from the operation of the sewerage system.

14. FEDERAL GRANTS CONTINGENCIES

During the year ended June 30, 1998, the Village of East Hodge received grant funds from the U. S. Department of Housing and Urban Development through the State of Louisiana Office of Community Development. These grant funds are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with the conditions of the grant. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

SUPPLEMENTAL INFORMATION SCHEDULES

VILLAGE OF EAST HOOGH
East Hoogh, Louisiana
SUPPLEMENTAL INFORMATION SCHEDULE
As of and For the Year Ended June 30, 1988

CAPITAL PROJECTS FUNDS

CONSTRUCTION FUND

The Construction Fund accounts for a federal grant from the United States Department of Housing and Urban Development, passed through the State of Louisiana Office of Community Development for the improvement of the village's fire protection system.

LIFT STATION FUND

The Lift Station Fund accounts for a federal grant from the United States Department of Housing and Urban Development, passed through the State of Louisiana Office of Community Development for sewer improvements.

BUILDING FUND

The Building Fund accounts for a state grant from the State of Louisiana Office of Rural Development for construction of a new town hall.

VILLAGE OF EAST HOIKE
 East Hoige, Louisiana
 CAPITAL PROJECTS FUND

Combining Balance Sheet
 For the Year Ended June 30, 1998

	<u>CONSTRUCTION</u> FUND	<u>LIBY</u> <u>STATION</u> FUND	<u>TOTAL</u>
ASSETS			
Grant receivable	<u>\$25,215</u>	<u>\$29,175</u>	<u>\$54,390</u>
LIABILITIES			
Accounts payable		\$22,150	\$22,150
Retainage payable	<u>\$25,215</u>	<u>7,625</u>	<u>\$32,840</u>
Total liabilities	<u>\$25,215</u>	<u>\$29,775</u>	<u>\$54,990</u>

VILLAGE OF EAST HEDGE
East Hedge, Louisiana
CAPITAL PROJECTS FUNDS

Combining Schedule of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 1988

	CONSTRUCTION FUND	LIFT STATION FUND	WATER FUND	TOTAL
REVENUES				
Intergovernmental revenues:				
Federal grant	\$423,438	\$81,117		\$504,547
State grant			\$21,400	11,400
Total revenues	<u>423,438</u>	<u>81,117</u>	<u>21,400</u>	<u>525,947</u>
EXPENDITURES				
General government - current -				
operating services - bank charges	60		60	120
Facilities acquisition and construction	<u>423,438</u>	<u>81,117</u>	<u>28,110</u>	<u>542,657</u>
Total expenditures	<u>423,498</u>	<u>81,117</u>	<u>28,170</u>	<u>542,765</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(60)	NONE	(16,770)	(16,830)
OTHER FINANCING SOURCE -				
operating transfer in	<u>45</u>		<u>1,096</u>	<u>1,141</u>
EXCESS (Deficiency) OF REVENUES AND OTHER SOURCE OVER EXPENDITURES	(15)	NONE	(15,674)	(15,689)
FUND BALANCES AT BEGINNING OF YEAR				
	<u>15</u>	<u>NONE</u>	<u>15,683</u>	<u>15,698</u>
FUND BALANCES AT END OF YEAR				
	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>

VILLAGE OF EAST HODGE
East Hodge, Louisiana
SUPPLEMENTAL INFORMATION SCHEDULE I
As of and For the Year Ended June 30, 1998

COMPENSATION PAID ALDERMEN

The schedule of compensation paid aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. In accordance with Louisiana Revised Statute 33:408, aldermen receive \$25 for each meeting they attend. Compensation of aldermen is included in personal services and related benefits expenditures of the General Fund.

**EXPENDITURES OF FEDERAL AWARDS
AND AUDIT FINDINGS RESOLUTION**

In accordance with Office of Management and Budget Circular A-133, a schedule of expenditures of federal awards, a schedule of findings and questioned costs, and a summary schedule of prior year findings are presented.

VILLAGE OF EAST HEDGE
East Hedge, LouisianaSchedule of Compensation Paid Aldermen
For the Year Ended June 30, 1988

Earl Knox	500
Oren Leonard	400
W.C. Wilson	<u>400</u>
Total	<u>\$1,268</u>

VILLAGE OF EAST HODGE
East Hodge, Louisiana

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1988

FEDERAL AGENCY/PASS-THROUGH GRANTEE/ PROGRAM NAME	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
United States Department of Housing and Urban Development - Passed through the State of Louisiana - Office of Community Development - Community Development Block Grant-State's Program	14.228	DOT-708127 DOT-808228	\$423,438 91,117
Total Expenditures of Federal Awards			<u>\$514,555</u>

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of the Village of East Hodge and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*.

VILLAGE OF EAST HOOGH
East Hoogh, Louisiana

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1998

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued - Unqualified

Internal control over financial reporting:

Material weaknesses identified? - Yes

Reportable conditions identified that are not considered to be material weaknesses - No

Noncompliance material to financial statements noted? - Yes

Federal Awards:

Internal control over major programs:

Material weaknesses identified? - No

Reportable conditions identified that are not considered to be material weaknesses - Yes

Type of auditor's report issued on compliance for major programs - Qualified

Any findings disclosed that are required to be reported in accordance with section 510(b) of Circular A-133? - Yes

Identification of major program - CDDAP 14.228 - Community Development Block Grant/State's Program

Dollar threshold used to distinguish between type A and type B programs - \$100,000

Auditor qualified as low-risk auditor? - No

(Continued)

VILLAGE OF EAST HODGE
 East Hodge, Louisiana
 Schedule of Findings and
 Questioned Costs, etc.

SECTION II - FINANCIAL STATEMENT FINDINGS

98-1 Need To Maintain Fixed Asset Records

Condition: The village has not maintained records of fixed assets as required by Louisiana Revised Statutes (LRS) 24:515 (A).

Criteria: LRS 24:515 (A) requires that the village maintain records of all land, buildings, improvements other than buildings, equipment and any other general fixed assets which were purchased or otherwise acquired. The records must include the date of purchase, the initial cost, the disposition, if any, the purpose of the disposition and the recipient of the property disposed of. No such listing has been maintained by the village.

Effect: Failure to maintain a listing of village owned assets could result in the misappropriation of fixed assets.

Cause: Oversight by village employees

Recommendation: I recommend that the village establish fixed asset records that comply with state law. The village should establish internal control procedures for updating the fixed asset records for all future purchases and dispositions.

Management's Response: The village will establish fixed asset records that comply with state law by June 30, 1999.

(Continued)

VILLAGE OF EAST HEDGE
 East Hedge, Louisiana
 Schedule of Findings and
 Questioned Costs, etc.

SECTION II - FINANCIAL STATEMENT FINDINGS (Cont'd.)

88-2 Need to Amend General Fund Budget

Condition: The village did not amend its General Fund budget for the year ended June 30, 1998 as required by Louisiana Revised Statutes (LRS) 39:1310. General Fund actual expenditures and other uses for the year ended June 30, 1998, exceeded budgeted expenditures and other uses by \$34,651 or 7.35%.

Criteria: LRS 39:1310 requires that the village adopt a budget amendment in an open meeting whenever total actual expenditures and other uses exceeds total budgeted expenditures and other uses by five percent or more.

Effect: The adopted budget and amendments should be the framework by which the village monitors and controls expenditures. The failure to properly amend the budget indicates a lack of proper control over expenditures.

Cause: Oversight by village employees

Recommendation: I recommend that the village use its adopted budget to monitor and control expenditures and that a budget amendment be adopted whenever actual expenditures exceed budgeted expenditures by five percent or more.

Management's Response: The village will amend its General Fund budget for the year ended June 30, 1999, whenever actual expenditures exceed budgeted expenditures by five percent or more.

(Continued)

VILLAGE OF EAST HODGE
 East Hodge, Louisiana
 Schedule of Findings and
 Questioned Costs, etc.

SECTION II - FINANCIAL STATEMENT FINDINGS (Cont'd.)

98.3 Need to Maintain Bond Reserve Accounts

Condition: The village has not maintained the Revenue Bond Reserve and Replacement and Extension funds required by the 1971 water and sewer system revenue bond issue.

Criteria: The 1971 Water and Sewer System Revenue Bond issue requires that the village transfer funds on a monthly basis until \$7,500, and \$1,800, respectively, have been accumulated in the Revenue Bond Reserve and Replacement and Extension funds. At June 30, 1998, the Revenue Bond Reserve fund had a balance of \$157 and the Replacement and Extension fund had a balance of \$20.

Effect: Failure to fund the required reserves could result in there being no funds available to pay the principal and interest due on the bonds or make necessary improvements to the water and sewer system.

Cause: The Water and Sewer System operating income has not been sufficient to fund the required reserves.

Recommendation: I recommend that the village fund the required reserve funds as soon as funds are available to do so.

Management's Response: The increase in revenues resulting from a sewer rate increase in October 1998 should generate sufficient funds to properly fund the bond reserve accounts.

(Continued)

VILLAGE OF EAST HEDGE
 East Hedge, Louisiana
 Schedule of Findings and
 Questioned Costs, etc.

SECTION II - FINANCIAL STATEMENT FINDINGS (Contd.)

98-4 Need to Improve Internal Controls Over Cash Receipts and Disbursements

Condition: The following deficiencies were noted in the the village's internal control over cash receipts and disbursements:

1. The village did not maintain a record of its cash balance in the checkbooks. Deposits were not recorded in the checkbooks and cash balances were not maintained in the checkbooks. Bank accounts were not reconciled on a monthly basis.
2. I examined 36 disbursements during the year ended June 30, 1998 and determined that 23 of these disbursements (64%) were not supported by original invoices or other supporting documentation.
3. 17 out of 21 invoices (81%) that I examined were not cancelled to prevent duplicate payment.
4. 8 out of 21 invoices (38%) were not paid within 30 days of the date of the invoice.

Criteria: The village has the responsibility to establish internal control procedures that are designed to provide reasonable assurance of reliable financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Effect: Failure to establish adequate internal controls over cash receipts and disbursements could result in errors and omissions in the accounting records and noncompliance with applicable laws and regulations.

Cause: The village has not established and maintained adequate internal control procedures due to the limited number of village personnel.

(Continued)

VILLAGE OF EAST HODGE
East Hodge, Louisiana
Schedule of Findings and
Qualified Costs, etc.

SECTION II - FINANCIAL STATEMENT FINDINGS (Contd.)

88-4 Need to Improve Internal Controls Over Cash Receipts and Disbursements (Contd.)

Recommendation: I recommend that the village establish the following internal control policies and procedures over cash receipts and disbursements:

1. *Accurate cash balances should be maintained in the checkbooks which includes recording all deposits, checks, and other items such as bank charges. All checking accounts should be reconciled to the bank statement on a monthly basis.*
2. *All disbursements should be supported by original, itemized invoices or other documentation. These invoices should be paid by the due date on the invoice to avoid late charges. The invoices should be marked paid with the date and check number and be filed by month in a paid invoice file.*

Management's Response: The village will implement the recommended procedures by January 1, 1999.

(Continued)

VILLAGE OF EAST RIDGE
 East Ridge, Louisiana
 Schedule of Findings and
 Questioned Costs, etc.

**SECTION III - FEDERAL AWARD FINDINGS AND
 QUESTIONED COSTS**

98-8 Need to Sign and Approve Invoices

Condition: The mayor did not sign 4 of the 28 invoices (14%) paid from Community Development Block Grant funds as was required by the village's internal control procedures. The total amount of the invoices was \$11,079.

Criteria: The village's established procedures for financial management of contract funds requires that the mayor sign and approve all invoices prior to the preparation of the request for funds.

Effect: Failure to adhere to established policies and procedures could result in unallowable costs being paid from contract funds.

Cause: Oversight by village employees

Recommendation: In the future, the village should strictly adhere to established internal control policies and procedures related to the approval of invoices.

Management's Response: The village will adhere to established policies and procedures in the future.

(Continued)

VILLAGE OF EAST HEDGE
 East Hedge, Louisiana
 Schedule of Findings and
 Questioned Costs, etc.

**SECTION II - FEDERAL AWARD FINDINGS
 AND QUESTIONED COSTS (Cont'd).**

88-6	Grant Receipts Should be Recorded in Checkbook
Condition:	The village did not adhere to established internal controls over grant fund receipts. I selected Fire Protection grant requests #5 and #9 and Sewer Improvement grant request #2, to determine if the wire transfers resulting from the requests were recorded in the checkbook register as required by the village's internal control procedures over grant fund receipts. None of the wire transfers resulting from the three selected requests were recorded in the checkbook registers.
Criteria:	The village's established procedures for financial management of contract funds requires that the amount of the wire transfers be recorded in the checkbook registers as deposits.
Effect:	Failure to record deposits in the checkbook registers results in inaccurate bank account balances that could result in errors and bank overdrafts.
Cause:	Oversight by village employees
Recommendation:	In the future, the village should strictly adhere to established internal control policies and procedures. Grant fund deposits should be recorded in checkbook registers in order to provide accurate bank account balances.
Management's Response:	Effective January 1, 1999, all grant fund deposits will be recorded in the checkbook register.

(Continued)

VILLAGE OF EAST HEDGE
 East Hedge, Louisiana
 Schedule of Findings and
 Questioned Costs, etc.

**SECTION III - FEDERAL AWARD FINDINGS AND
 QUESTIONED COSTS (Cont.)**

98-7	Need to Maintain Records of Equipment Purchased with Grant Funds
Condition:	The village has not maintained records of equipment acquired with federal grant funds in a manner that complies with federal requirements.
Criteria:	The OMB Common Rule, which establishes administrative rules for federal grants, requires that the village adhere to state laws and procedures for maintaining records of equipment acquired with federal grant funds. State law requires that the village maintain records of all land, buildings, improvements other than buildings, equipment and any other general fixed assets which were purchased or otherwise acquired. The records must include the date of purchase, the initial cost, the disposition, if any, the purpose of the disposition and the recipient of the property disposed of. No such listing has been maintained by the village.
Effect:	Failure to maintain a listing of village owned assets could result in the misappropriation of fixed assets.
Cause:	The village was not aware of this federal requirement concerning fixed asset records.
Recommendation:	I recommend that the village establish fixed asset records that comply with federal and state law. The village should establish internal control procedures for updating the fixed asset records for all future purchases and dispositions.
Management's Response:	The village will establish fixed asset records that comply with federal and state law by June 30, 1999.

(Concluded)

VILLAGE OF EAST HODGE
East Hodge, Louisiana

Summary Schedule of Prior Year Findings
For the Year Ended June 30, 1998

PRIOR YEAR FINDING	STATUS OF FINDING
Agreed-Upon Procedures 5 and 7 - Copy of Legally Adopted Budget Was Not Available	Resolved
Note G - Noncompliance with Bond Sinking Fund Requirements	Unresolved - See Finding 58-3 in Schedule of Findings and Questioned Costs
Note G - Noncompliance with Bond Issue Insurance Requirements	Resolved
Note G - Bond Principal and Interest Payments Paid Late	Resolved

**Independent Auditor's Reports Required by
Government Auditing Standards and OMB
Circular A-133, Audit of State, Local
Governments, and Non-Profit Organizations**

The following independent auditor's reports on compliance with laws, regulations, contracts, and grants and internal control over financial reporting and compliance are presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States; Office of Management and Budget Circular A-133, *Audit of State, Local Governments, and Non-Profit Organizations*; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

208 DONALDSON ROAD • CALIBORN, LOUISIANA 71225 • TELEPHONE 518/644-5726

**Independent Auditor's Report on Compliance and on
Internal Control Over Financial Reporting
Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EAST HODGE
East Hodge, Louisiana

I have audited the financial statements of the Village of East Hodge, as of June 30, 1998, and for the year then ended, and have issued my report thereon dated December 17, 1998. I conducted my audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Louisiana Governmental Audit Guide, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

Compliance

As part of obtaining reasonable assurance about whether the Village of East Hodge's general purpose financial statements are free of material misstatement, I performed tests of the village's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 98-1, 98-2, and 98-3.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Village of East Hodge's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EAST HODGE

East Hodge, Louisiana
Independent Auditor's Report
on Compliance and on
Internal Control, etc.,
June 30, 1998

reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Village of East Hodge's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 99-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I considered the reportable conditions described above to be material weaknesses.

This report is intended for the information of the mayor and board of aldermen of the Village of East Hodge, and other interested state and federal agencies and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.



Carlton, Louisiana
December 17, 1998

M. Carlisle Dumas
CERTIFIED PUBLIC ACCOUNTANT

100 DOWNSWORTH BLVD • CALHOUN, LOUISIANA 71225 • TELEPHONE 336/544-5336

**Independent Auditor's Report on Compliance With
Requirements Applicable to Each Major Program
and on Internal Control Over Compliance
in Accordance with OMB Circular A-133**

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EAST HODGE
East Hodge, Louisiana

Compliance

I have audited the compliance of the Village of East Hodge with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, that are applicable to its major federal program for the year ended June 30, 1998. The Village of East Hodge's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the management of the Village of East Hodge. My responsibility is to express an opinion on the Village of East Hodge's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of East Hodge's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Village of East Hodge's compliance with those requirements.

As described in item 98-7 in the accompanying Schedule of Findings and Questioned Costs, the Village of East Hodge did not comply with the requirements regarding Equipment and Real Property Management that are applicable to its Community Development Block Grants/State's Program.

**MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EAST HEDGE**

East Hedge, Louisiana
**Independent Auditor's Report
on Compliance with
Requirements Applicable to
Each Major Program and on
Internal Control Over Compliance, etc.,
June 30, 1998**

Compliance with such requirements is necessary, in my opinion, for the Village of East Hedge to comply with the requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, the Village of East Hedge, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1998.

Internal Control Over Compliance

The management of the Village of East Hedge is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Village of East Hedge's internal control over compliance with requirements that could have a direct and material effect on its major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect the Village of East Hedge's ability to administer its major federal program in accordance with applicable requirements of law, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 58-3 and 58-6.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However I believe that none of the reportable conditions described above is a material weakness.

**MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EAST HEDGE**
East Hedge, Louisiana

**Independent Auditor's Report
on Compliance with
Requirements Applicable to
Each Major Program and on
Internal Control Over Compliance, etc.,
June 30, 1998**

This report is intended for the information of the mayor and board of aldermen of the Village of East Hedge, and other interested state and federal agencies and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.



Arthur B. Jones
Caldwell, Louisiana
December 12, 1998